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March 20, 1995

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

Mr. William F. Caton, Acting Secretary
Federal Communications Commission
1919 M Street, NW. Room 222
Washington, DC 20554

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RE: Ex Parte Presentation
CC Docket Nos. 94-1, 79-252, and 93-197

Dear Mr. Caton:

This letter provides additional information regarding reductions in access charges paid by AT&T to local exchange companies from 1984 to 1994, and the change in AT&T's interstate long distance prices over the same period.

This letter also responds to two Ex Parte filings made by the United States Telephone Association (USTA) on March 16, 1995 concerning two studies (May 28, 1992 and March 16, 1995) by National Economic Research Associates (NERA). Those studies attempt to examine the relationship between the prices AT&T pays LECs for access and the prices AT&T charges its customers, but both studies are flawed because:

- Not all AT&T price changes and access charge changes were included,
- The calculations of both access and long distance price changes were based on forecasted demand data and not actual data, and
- No attempt was made to look at the actual change in AT&T's average revenue per minute and the associated average access charge per minute.

Using financial data and minutes-of-use data provided to the FCC for the period 1984 through 1993 (and 1994 data soon to be filed), AT&T's interstate switched long distance average revenue per minute declined over the ten-year period by more than $0.14 per minute, while corresponding access charges to AT&T declined only $0.12 per minute. As a result, the sum of yearly savings to consumers in long distance price reductions for the period 1984 through 1994 was nearly $14 billion, while the corresponding reduction in access payments to LECs was $12 billion. Cumulative

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consumer savings in AT&T's long distance prices since 1984, adjusted for inflation, exceed associated cumulative savings in access costs by more than $40 billion. Long distance price reductions thus significantly exceed reductions in local telephone companies' access charges.

Attached is a description of the methodology used to calculate these impacts on AT&T's revenues and access costs.

Sincerely yours,

Attachment

cc:

Lauren Belvin	Peyton Wynns
Karen Brinkmann	Kathy Wallman
James Casserly	Richard Metzger
James Coltharp	Michael Katz
Keith Townsend	David Nall
Richard Welch	Mark Uretsky

Attachment
Letter to William F. Caton
March 20, 1995

Access and Long Distance Price Reductions

A. The $14 billion reductions in AT&T's Long Distance Prices and the $0.14 per minute savings to customers were calculated as follows:

1. Calculate the Average Revenue Per Minute (ARPM) for AT&T's Interstate Services for each year (1984 through 1994) by dividing AT&T's actual interstate switched revenues by actual interstate total interstate conversation minutes of use.
2. Calculate the year-over-year change in ARPM by subtracting the prior year's ARPM from the current year's ARPM.
3. Calculate each year's price reduction by multiplying the change in ARPM (step 2) by that year's actual conversation minutes.
4. Sum each year's price reduction for 1984 through 1994 to obtain the total yearly consumer price savings.
5. Calculate the difference between 1984 and 1994 ARPM to get the total change in revenue per minute.

B. The $12 billion in AT&T's interstate access savings and $0.12 per minute access reduction were calculated as follows:

1. Calculate the Average Access Per Minute (AAPM) paid for Switched Interstate Services for each year (1984 through 1994) by dividing that year's actual interstate switched access paid by AT&T by AT&T's actual interstate conversation minutes of use.
2. Calculate the year-over-year change in AAPM by subtracting the prior year's AAPM from the current year's AAPM.
3. Calculate the reduction in access charges by multiplying the annual change (line 2) in AAPM by that year's actual conversation minutes.
4. Sum each year's access savings for 1984 through 1994 to obtain the total yearly savings in access paid to LECs.
5. Calculate the difference between 1984 and 1994 ARPM to get the total change in access per minute.

C. Using the above methodology AT&T's actual results for the period 1984 through 1992 compared to the May 28, 1992 and March 16,1995, National Economic Research Associates (NERA) report are as follows:

	NERA	Actual Results of AT&T
Access (1984-1992)	$10.131B	$10.852B
AT&T's LD Price Reductions (1984-1992)	$ 8.223B	$12.172B
Access (1984-1994)	$10.402B*	$12.010B
AT&T's LD Price Reductions	$ 8.521B*	$13.930B

* Note: Interestingly, NERA's study dated March 16,1995 projects price changes through April 2, 1995